Corporate CarPlan Novated Leasing
User Guide

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THE WORLD LEADING FLEET AND VEHICLE MANAGEMENT COMPANY

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This user guide should be read in conjunction with the standard terms and conditions of the employee vehicle lease agreement, available on LeasePlan's website.

Disclaimer:
No person should rely on the taxation-related comments of this guide without first obtaining advice from a qualified taxation professional. LeasePlan expressly disclaims all and any liability and responsibility to any person in respect of anything, and of the consequences of anything, done or omitted to be done by any such person in reliance, whether wholly or partially, upon the whole or any part of the contents of this user's guide.

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SECTION 1

INTRODUCTION TO NOVATED LEASING

1.1 What is a novated lease?

A novated vehicle lease is an arrangement between you, your employer and LeasePlan. It enables you to lease a vehicle of your choice, while enjoying the tax-effective benefit of financing the vehicle and its operating cost from pre-tax - or a combination of pre-tax and post-tax - salary.

1.2 Who is eligible for a novated lease?

The eligibility for novated leasing is primarily determined by your employer's salary packaging policy. LeasePlan will not accept applications from employees who are not permanent employees (i.e. not contractors or casuals).

1.3 How does novated leasing work?

Under this arrangement, you lease a vehicle using a standard lease agreement. A Novation Agreement is entered into between you, your employer and LeasePlan. The obligation for the payment of lease rentals is transferred (novated) from you to your employer for the term of the agreement. Therefore, your employer now pays on your behalf the lease rentals and operating costs directly to LeasePlan.

You retain ultimate responsibility to make any payments under the lease in the event that you leave your employer or if your employer fails to make payments on your behalf.

1.4 What type of vehicles can be leased?

LeasePlan is happy to provide novated leasing on passenger vehicles, new or used, provided the used vehicle meets the criteria in Section 2.4. LeasePlan strongly discourages novated leases on commercial vehicles greater than 1 tonne carrying capacity as these vehicles incur a different FBT (not Car FBT) which makes the cost of packaging excessive and not tax effective.

1.5 What are the benefits of novating a vehicle with LeasePlan?

- A potential income tax-free lump sum benefit at lease expiry
- Significant pre-tax savings on lease and operating costs
- Eliminate FBT liability with the Employee Contribution Method (ECM) (Section 3)
- Choose from an extensive range of vehicles
- The vehicle is registered in your name, so no stamp duty if the vehicle is purchased at lease end
- Significant discounts on new vehicle prices through LeasePlan's buying power
- Great savings above retail on vehicle operating costs
- LeasePlan can claim a GST Input Tax Credit on the vehicle purchase and on all operating costs, so you will enjoy GST free motoring. You only pay GST on the residual value at lease expiry (Note the limitation on luxury vehicles - Section 4.1 and 4.8)

1.6 What happens if your employment is terminated?

If employment is terminated, the Novation Agreement immediately expires. You can then choose one of these options:

Option 1 - Continue the lease by paying monthly payments directly to LeasePlan.

Option 2 - Terminate the lease early by paying out the lease on the day of departure.

Option 3 - Arrange a new Novation Agreement with your new employer (subject to conditions).

Other termination options may apply - refer to your Employee Vehicle Lease Agreement - Settlement Annexure.

You must choose one of these three options within five days of the notice of termination.

1.7 What are the possible risks of novating a vehicle with LeasePlan?

- Possible loss on sale at lease end if residual value is not set at correct level.
- Taxation benefits could change under the policy of the Government of the day or via future tax rulings.
- The vehicle may be more expensive to run than was originally estimated.
- The budget allocation calculations may be inadequate if the kilometres travelled are not correctly estimated.

SECTION 2

OBTAINING YOUR NOVATED VEHICLE

2.1 Deciding on your vehicle

To help you assess whether a novated lease is right for you and which vehicle best meets your needs, LeasePlan recommends you utilise LeasePlan Online *(www.leaseplan.com.au)*.

Your log on details will be provided to you by your employer (normally on your company intranet site or through Human Resources) or you can call LeasePlan on 132 572.

If you are unable to utilise LeasePlan Online call us and we will provide you with the required documents to get you a quote.

LeasePlan Online provides you easy online access to:

- Fast, accurate quotes in real time and 24/7 access
- Create multiple quotes to compare before deciding on your best option
- Browse and select additional options to a maximum value of 10% of the total purchase price
- Request and order on the quote you decide to accept and apply for credit
- Update your personal profile online
- View current lease details at anytime
- News, tips and hints from LeasePlan
- An Online Help function

When logging in for the first time you will be asked to complete 'Your Profile'. Information required to be completed in your profile includes:

- Your employment details
- Name and date of birth
- Drivers licence details
- Contact information for you
- Residential address and postal address details

You are not obligated to enter into a Novated lease – your obligation begins only after you have accepted a quote and your credit has been approved. Your profile will expire after 90 days of inactivity.

2.2 Residual value and ATO guidelines

The residual value (plus GST) is the amount that remains owing to LeasePlan at the end of the lease term. The residual value is determined at the beginning of the lease and is based on the guidelines issued by the Australian Taxation Office (Section 4.4).

2.3 Sourcing of new vehicles

LeasePlan has a preferred dealer network and LeasePlan Online pricing reflects the discounts we are able to offer through this network. To find out who these dealers are, visit the LeasePlan website *(www.leaseplan.com.au)* and use the New Vehicle Supplier Finder (located under 'Driver Toolkit') or call LeasePlan.

If you decide to obtain your own pricing from an alternate source, this must be obtained before entering these details into LeasePlan Online. The quote you obtain from the dealer must include the following information:

- Description of vehicle (including all options and accessories)
- Dealer on road costs (including stamp duty, registration and CTP)
- Availability (expected delivery date)
- Trade-in value allowed (if applicable)

Remember, if talking to a dealer **DO NOT** sign or commit to the purchase of a vehicle.

2.4 Financing second-hand vehicles

You can novate a second-hand vehicle. You will need to source the vehicle yourself and provide LeasePlan with the necessary information on the model and pricing to generate a quote. You can also sell your owned vehicle to LeasePlan and lease it back.

LeasePlan is one of the few lease providers to allow novated leasing of used cars. It must be noted that a processing fee applies (refer Section 4.5). This fee is capitalised into the purchase price of the vehicle and amortised over the term of the lease.

The processing fee covers costs associated with additional processes outside of LeasePlan's systems, which support the used vehicle lease. These include:

- Verifying used vehicle pricing
- Establishing operating budgets for vehicle
- Facilitating payment to seller/financier
- Administering transfer of ownership

LeasePlan will only finance the vehicle at its assessed market value. The vehicle must be no more than four years old at lease commencement, have travelled less than 100,000 kms and will be no older than seven years old with no more than 200,000 km at the end of the lease term.

If you wish to acquire the vehicle via a private purchase, sale and leaseback of your existing vehicle or paying out an existing lease, LeasePlan may require additional information to determine a market valuation (sight unseen) so it must be accurate. The purchase price will be based on market value as assessed by LeasePlan.

NOTE: If you source a quote from a dealer or private party on a second-hand vehicle, **DO NOT** sign or commit to the purchase of the vehicle.

2.5 How are trade-in vehicles handled?

When you wish to trade-in your current vehicle against your new vehicle, you must advise LeasePlan of the proposed arrangements. The purchase of the new vehicle and the trade-in must be treated as separate transactions with the proceeds of any surplus on the trade-in paid by the dealer to you, and the sale of the new vehicle being made directly to LeasePlan.

If you have elected to trade your current vehicle against your new vehicle, it is your responsibility to ensure the dealer pays LeasePlan by the due date listed on your Tax Invoice. Remember it may take three business days for a bank to clear a bank cheque or electronic funds transfer and the exiting lease is not considered paid out until LeasePlan has cleared funds. If the due date of the invoice has expired you will require a new tax invoice which will include the costs associated with late payment.

It is then possible to apply the proceeds of the trade-in against your new LeasePlan vehicle or make a personal contribution as part of the purchase from the dealer. However, the maximum that can be contributed against the new vehicle is limited to 20% of the vehicle's cost.

2.6 To obtain a quote on a vehicle

The easiest way to get accurate quotes on a novated lease is to use LeasePlan Online.

LeasePlan's website includes an online affordability and lease package calculator to help you see what type of vehicle best suits your budget. The comprehensive quote generator found in the secure area of LeasePlan Online then allows you to quote on a range of new vehicle choices, using different variables of vehicle model, lease term, residual value, annual distance travelled and your personal salary details. It is important to forecast as accurately as possible the estimated travel per annum.

LeasePlan Online is designed to provide a final, accurate quote that you can then sign and submit to order. If circumstances prevent you from quoting via LeasePlan Online, call or email LeasePlan.

Please be aware, depending on the vehicle and lease parameters, this formal process can take up to 10 days from quote to order.

New vehicle delivery lead times vary greatly with each manufacturer. LeasePlan generally recommends that you allow up to three months ensuring that special build and specific colour requirements can be met. LeasePlan will advise you of the expected delivery date, however this is subject to change and can be influenced by unforeseen manufacturer or shipping delays. You will be advised of any changes.

2.7 Information provided in the lease quote

The quote will list the price of the vehicle and a full budget for the running of your vehicle for the term and kilometres indicated. It includes monthly and annual figures for:

- Lease payment
- Maintenance and repairs
- Tyres
- Registration
- Roadside Assistance
- Fuel
- Miscellaneous operating cost
- Replacement Car (if chosen)
- LeasePlan Comprehensive insurance
- Management fees
- Budgeted FBT liability
- FBT ECM off-set (if ECM is used)
- GST on ECM post-tax contributions (if ECM is used)
- Employee package allocation for salary deduction
- Pre-tax and post-tax lease payment split (if ECM is used)

2.8 Lease payment

The lease payment is the cost that LeasePlan as the financier charges to finance your vehicle for the nominated lease term. The various lease attributes relating to your vehicle (amount financed, interest rate, lease residual value, lease term) are used to calculate this lease payment amount.

2.9 Maintenance and repairs

All servicing and repair work to your vehicle must be pre-authorised by LeasePlan to ensure application of the best negotiated service and parts prices. Our team of maintenance controllers are qualified mechanics, committed to ensuring that all work carried out on your vehicle is necessary to ensure your safety and that the vehicle is maintained in a sound condition.

When booking your vehicle in for work you must advise the service supplier that it is a LeasePlan-managed vehicle. The service supplier will use LeasePlan's web portal or call LeasePlan for pre-work authorisation and all invoices for work are billed to and paid by LeasePlan.

Use a manufacturer-approved dealership for the servicing or repairing of your vehicle. The service supplier must be an approved repairer of LeasePlan. To find out who these dealers are, please visit the 'Driver Toolkit' found on the LeasePlan website (*www.leaseplan.com.au)* or call LeasePlan.

We recommend that a franchised dealer specific to your vehicle should complete all mechanical servicing and repairs. This assists in controlling both costs and quality of work. Additionally it saves the necessity of a vehicle being transferred to an authorised dealer to affect any warranty claims that may be applicable as well as avoiding any out-of-warranty issues.

Vehicle maintenance and repair budgets are based upon manufacturers' specified servicing schedules, as well as any repairs that are the result of normal driving and fair wear and tear (brakes, exhaust, etc).

2.10 Tyres, batteries and windscreen replacement

Details of approved suppliers of tyres, batteries and windscreen replacement can be found in the wallet sized LeasePlan Easy Guide provided with each vehicle at delivery, or via the 'Driver Toolkit' found at *www.leaseplan.com.au*

2.11 Registrations and CTP

Wherever allowed by state bodies your new vehicle will be registered by the dealer under your name, with LeasePlan noted as the fleet manager for renewal purposes. If you receive registration papers from your state body please send these to LeasePlan, a minimum of 20 days before the payment is due, and LeasePlan will pay the registration on your behalf.

LeasePlan will make annual renewal payments on your behalf. If separate Compulsory Third Party (CTP) insurance is required LeasePlan will automatically renew it as well. Where required by state regulations it is your responsibility to affix the label to your windscreen. If your vehicle is older than five years and requires an inspection, it is your responsibility to obtain the inspection and forward the inspection certificate to LeasePlan.

2.12 Roadside Assistance

This service compliments any membership provided by your vehicle's manufacturer. For example, if your vehicle manufacturer offers a two year warranty but your lease is for four years this service kicks in when the manufacturer warranty expires. The budget set for this service is only for the time the vehicle is not covered under a manufacturer warranty.

2.13 Fuel

Fuel will be included in your vehicle budget. You will be provided with a single fuel card that can be used at any Caltex/Woolworths/Ampol/Safeway service station (unless your employer directs alternative fuel suppliers). **It is essential for accurate reporting that correct odometer readings are provided at every fuel fill.**

Fuel discounts have been negotiated by LeasePlan and your employer, with the discount then passed on to you.

2.14 Miscellaneous Operating Cost (previously called Other Provisions)

There are several items excluded from standard maintenance programs, including broken glass, non-standard maintenance items (i.e. windscreen wipers), minor impact damage and vandalism. A budget called 'Miscellaneous Operating Cost' has been built to accommodate these items. Insurance excesses can also be paid through this cost provision with the benefit of becoming pre-tax costs for you.

2.15 Replacement car (if chosen)

The replacement vehicle service is provided where vehicles are off the road for more than one day due to major maintenance/repair. Any costs for providing a replacement vehicle will be included as part of the reconciliation against budgeted costs.

PLEASE NOTE: If you elect to remove the replacement vehicle budget from your salary sacrifice package, you will have to make alternative arrangements and pay for any replacement vehicle independent of LeasePlan.

2.16 Comprehensive insurance

LeasePlan offers competitive premiums for total cover insurance. The premium is budgeted for in the lease payment and is paid as part of your packaging benefit. These premiums are subject to annual review and an individual's claims history. Information on LeasePlan's insurance policy, its terms and conditions is available at *www.leaseplan.com.au*

If you elect to insure the vehicle with a different supplier you are required to do so outside of the novation agreement. Additionally you must also supply LeasePlan with a certificate of currency every year.

2.17 Personal Contributions

Your employer may allow or require, and LeasePlan may require, a personal contribution toward the cost of the vehicle. This typically occurs if an excessive amount of options are added to the vehicle or your employer has a limit to the amount an employee can salary sacrifice. Any contributions made to the cost of purchasing the vehicle will reduce the amount financed under the lease as well as reduce the FBT Base Value.

2.18 Order process

If you have created a quote using LeasePlan Online and would like to proceed and request an order for the vehicle, click 'Save & Order'. Alternatively, return the signed quote to LeasePlan via fax on 1800 331 041. Utilising LeasePlan Online ensures a shorter turn-around time for you.

In both instances you will be required to complete a credit application and will be asked to provide additional supporting documentation. Omissions or providing insufficient information on your application could cause delays.

If you decide to change details of the vehicle order (add options or accessories, delivery instructions, etc) you may do so through LeasePlan Online. Cancellation of an order may incur cancellation fees, call LeasePlan to discuss.

2.19 Regular reporting

You will receive a monthly Motor Vehicle Report (MVR) comparing actual and budgeted costs for the reporting period, as well as the cumulative actual versus budgeted costs.

Accurate odometer readings at fuel fills will verify kilometres travelled against initial estimates. It will also highlight your target odometer reading at completion of the current FBT year and track your progress. A warning is provided if you are in danger of falling into a more costly FBT bracket, including an estimation of excess FBT liability.

2.20 FBT tracking services

Vehicle kilometre information is contained in the monthly vehicle report to assist with monitoring your vehicle lease. Each monthly report shows the remaining average monthly kilometres required to be travelled to reach your target set for the FBT year. It will also indicate an anticipated FBT liability where your mileage is below the budgeted FBT bracket.

PLEASE NOTE: If you fail to provide accurate odometer reading at each fuel fill our ability to provide this FBT tracking service will be limited and could provide incorrect kilometre target calculations.

2.21 Variations to operating costs

Each quote for a novated lease vehicle will be provided with a budget for chosen operating costs and are based on annual distance travelled and the type of vehicle.

Often there will be unused budget amounts at the end of the first year. This is because operating costs are generally lower in the initial part of a lease when vehicles have lower servicing requirements, creating a budget surplus for the first few months of the lease. Further into the lease the unused budget will diminish as tyre replacement and major service intervals occur. A final reconciliation will be performed at the completion of your lease.

If your vehicle costs less to operate than the budgeted amount then any surplus will be returned to you via your employer's payroll at the end of your lease. This is because of the prevailing Income Taxation laws. Conversely, if final costs are greater than anticipated these costs will be billed to you via your employer's payroll. A nominal 'estimated shortfall amount' (Section 4.3) is included in the settlement process.

If a major cost deficit or surplus occurs during your lease, LeasePlan can recalculate your lease to modify the variance. Your approval is sought, however is not required.

2.22 Incorrect estimate of travel

LeasePlan regularly reviews budgeted versus actual costs and kilometres travelled. If abnormal (› 15%) debits or credits are being generated or significant kilometre variations arise, we will contact you to agree on a new budget and therefore a new package allocation.

2.23 How FBT affects your package costs

When you obtain a vehicle under a novation lease arrangement your employer becomes liable for Car Fringe Benefit Tax. The FBT liability, which your employer incurs, is charged back to you as part of your salary deduction. Refer Section 4.6 for examples of FBT calculations.

2.24 Effects of distance travelled and FBT

Estimated Car FBT liability is based on your estimated annual kilometres at the time a quote is prepared. FBT liability is paid on the actual kilometres travelled between 1 April and 31 March. If your actual kilometres falls into a different bracket than your estimated kilometres as shown on the Statutory Factor table (refer Section 4.6), the Car FBT liability allocation to your vehicle will be either greater or less than the initial estimates in our quote and your package cost will need to be adjusted accordingly.

PLEASE NOTE: 'Days Unavailable' will not reduce the target odometer.

Your monthly Motor Vehicle Report will detail existing usage against your initial* Car FBT estimates.

2.25 Luxury taxation limit

A lease is classified as a luxury lease when the amount financed under the lease is greater than the luxury taxation limit (refer Section 4.8). Novated leases which have a finance value greater than the luxury taxation limit are treated differently for income tax purposes. For taxation purposes your employer cannot claim the lease rental as a tax deduction. Instead your employer can claim only a lesser deduction by calculating a nominal interest and limited depreciation values. This treatment imposes additional costs on your employer due to the tax deduction foregone. Your employer may choose to recover this cost from you if you select a vehicle that attracts the Luxury Tax.

The LeasePlan Online package calculations and quotes include the value of the luxury tax cost as a line item in the package charge. This cost should not be confused with the Government imposed taxation surcharge which is payable as part of the vehicle purchase cost and shown separately on your quote as part of the capital cost of your lease.

2.26 To claim 'out of pocket expense' reimbursement

Cash Claim forms may only be used to claim reimbursement of costs incurred in emergency situations, for instance, where the allocated fuel cards could not be used, or for minor mechanical repairs of an **urgent nature only** (not for normal schedule servicing). Cash claim forms are available at *www.leaseplan.com.au*

For confirmation of the minimum amount claimable, please refer to Section 4.9.

Please note you must attach the original tax invoice/receipts with the cash claim form.

2.27 Expiry of the contracted lease term

Approximately 12 weeks prior to the expiry of your contracted lease term, you will be asked to exercise one of the following options before lease end:

Option 1 - Purchase the vehicle at the residual value plus GST

Option 2 - If your employer allows, extend your lease for a further term (minimum extension term of 12 months and conditions apply)

Option 3 - Return the vehicle to LeasePlan (any profit / loss on sale will be to your account)

Refer to the Employee Vehicle Lease Agreement, Standard Terms Clause Section 7 for details on each of these options. (http://www.leaseplan.com.au/driver/forms).

2.28 Failure to advise end of lease option fee

If you fail to advise your end of lease option within 28 days of the scheduled end date of the lease or fail to complete your obligation for your selected option, LeasePlan must undertake actions within its systems to allow the lease to continue or be extended for an additional lease term. If this occurs an administration fee will be applied to your lease for each additional term that is actioned by LeasePlan as a result of your failure to advise or complete obligations.

The current administration fee that is applied is $300 per additional term.

SECTION 3

HOW TO IMPROVE YOUR PACKAGING BENEFIT WITH ECM (IF ECM IS ALLOWED BY YOUR EMPLOYER)

3.1 The Employee Contribution Method

The Employee Contribution Method (ECM) is where you make a post-tax contribution towards the cost of operating your novated lease. Instead of salary sacrificing the complete vehicle lease cost including Car FBT liability from pre-tax salary, a portion of the vehicle lease cost is deducted as an 'employee contribution' from your post-tax salary. This will show on your pay slip as a second salary deduction post-tax.

Your post-tax contributions are then taken into consideration in your Car FBT calculations at the end of the FBT year. If you elect to use ECM, LeasePlan will calculate the post-tax contribution needed to completely eliminate your estimated Car FBT liability. By reducing or eliminating the Car FBT amount payable you lower the overall packaging cost and increase your disposable income.

3.2 Will ECM be beneficial to me?

ECM makes novated leasing more attractive for employees on incomes below the highest tax rate (Section 4.2). LeasePlan Online allows you to input your salary and will highlight the benefits to your disposable income (for varying taxable salary amounts) that are achieved by using ECM. A simple comparison is provided in Section 4.10.

3.3 GST on ECM

When you make a post-tax contribution towards the cost of operating your vehicle using ECM, the transaction is classified as a 'taxable supply' by your employer, for GST purposes. This requires your employer to remit 1/11th of the post-tax contribution to the ATO. This additional GST must be added to your package cost. No input tax credits can be claimed for this transaction.

3.4 How do I nominate that I want to use ECM?

If you want to use ECM to maximise the benefit for your novated lease these steps need to be followed.

FOR A NEW VEHICLE LEASE:

When using LeasePlan Online to generate your lease quote, it will automatically apply ECM, calculating the post-tax element required to eliminate the estimated FBT liability.

With ECM, the 'total vehicle cost' remains unchanged, however the quote will display the FBT liability that is offset by the post-tax contribution as well as the GST cost payable on the post-tax amount. The packaging cost is then displayed together with how this should be deducted, pre and post-tax from your salary.

The salary packaging analysis demonstrates the benefit gained by using ECM (pre and post-tax contributions) as compared to acquiring and operating the vehicle using 100% post-tax income. LeasePlan does not provide financial or taxation advice on salary packaging. We strongly encourage you to obtain independent taxation and financial advice to determine your personal salary packaging benefit.

FOR AN EXISTING VEHICLE LEASE:

If you have an existing LeasePlan novated lease and you wish to add or remove ECM at any time, you need to submit a request in writing to *cservice@leaseplan.com.au*

A mid-lease change will be implemented and a new Final Package Allocation will be issued to your employer for revised salary deductions.

3.5 ECM - The impact of doing more or less kilometres per year

When preparing your lease quote, LeasePlan uses your estimated annual mileage to determine the estimated post-tax deduction required to eliminate the FBT liability. If at the end of the FBT year you have travelled less kilometres than expected and you moved into a higher FBT bracket, you may incur an additional FBT liability. This is because your post-tax deductions were insufficient to offset the higher FBT liability.

If you have travelled more kilometres than expected and have moved into a lower FBT bracket you may be losing some of the advantage of salary packaging. This may not be reimbursable and should be avoided.

It is important that you regularly monitor your actual distance travelled via your monthly Motor Vehicle Report to ensure your usage does not cause you to move into another FBT bracket.

If you provide accurate odometer readings with each fuel fill your Motor Vehicle Report will highlight your progress against your annual target. If your actual annual kilometres will be higher or lower than the target, contact LeasePlan on 132 572 to arrange a mid lease change.

4.1 Maximum input tax credit for luxury vehicles

The maximum input tax credit for luxury vehicles is currently $5,224.18.

4.2 ATO Tax Scales

The following income tax rates apply from 1 July 2014.

TAXABLE INCOME	TAX ON THIS INCOME
$1 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $80,000	$3,572 plus 32.5c for each $1 over $37,000
$80,001 – $180,000	$17,547 plus 37c for each $1 over $80,000
$180,001 and over	$54,547 plus 47c for each $1 over $180,000

** Doesn't include Medicare Levy. Includes 2% Budget Deficit Levy.*

4.3 Estimation shortfall amount

Upon termination of a novated lease, where appropriate, LeasePlan undertakes an estimation of operating costs incurred but not recorded or paid at the time of the lease termination to achieve a reconciliation of costs within ten days. LeasePlan includes a nominal estimation shortfall amount of $95 to cover any unknown costs incurred but not paid.

4.4 Residual values and ATO Guidelines

The residual value is the amount that remains owing at the end of the lease term. It is normally expressed as a percentage of the vehicle cost price. The residual value is determined at the beginning of the lease.

As a guideline LeasePlan sets the residual value in the lease using the following percentages:

TERM	ATO GUIDELINES
12 mth	65.63%
24 mth	56.25%
36 mth	46.88%
48 mth	37.50%
60 mth	28.13%

As a safeguard, where the ATO calculated residual value is higher than the LeasePlan expected sale value at the end of lease, the lower value will be used as the lease residual.

particularly important if you travel above average distances and safeguards your exposure to any residual value losses at lease end.

4.5 Used vehicle processing fee

Currently a processing fee of $300 applies when an employee chooses to lease a used vehicle.

4.6 FBT Calculation

The Fringe Benefits Tax (FBT) legislation for motor vehicles was changed in the Federal Budget May 2011, impacting all vehicles acquired from 11/5/2011.

If you enter into a lease contract after the 11/05/2011, the vehicle will be subject to the new method of FBT calculation to be phased in over the next four years. The final result will be that all salary packaged vehicles will be valued at 20% regardless of how many kilometres the car travels.

The statutory rates below will apply on an increasing scale as set out in the table until the flat rate of 20% is achieved.

DISTANCE TRAVELLED DURING THE FBT YEAR (1 Apr - 31 Mar)	STATUTORY RATE – NEW VEHICLE LEASE CONTRACTS ENTERED INTO FROM 11 MAY 2011 INCLUSIVE			
	From 10 May 2011	From 1 April 2012	From 1 April 2013	From 1 April 2014
0 - 14,999	20%	20%	20%	20%
15,000 - 24,999	20%	20%	20%	20%
25,000 - 40,000	14%	17%	20%	20%
Greater than 40,000	10%	13%	17%	20%

If you entered into your lease contract prior to the 11/05/2011 the old FBT rates listed below will apply for the life of the lease or until the lease is re-financed, extended for an additional lease term or change of employment occurs.

KILOMETRES TRAVELLED PER ANNUM	
0 - 14,999	26%
15,000 - 24,999	20%
25,000 - 40,000	11%
Greater than 40,000	7%

If your vehicle lease commenced during an FBT year (1 April to 31 March) it is necessary to estimate the kilometres that would have been travelled if the car had been operated for the entire year. This is done by averaging the kilometres travelled per day from the initial delivery date and multiplying it by 365. For instance, where a lease commenced halfway through the FBT year and travelled 12,000 km, the annual distance would be 24,000 km and the 20% statutory rate (see tables above) would apply to the Car FBT liability calculation.

Some samples as to how the FBT statutory rates are applied are shown below

Example 1

Lease commenced before 10 May 2011 – Old FBT rates apply for the term of the lease providing no change to lease expiry date or employer.

Jane commenced her novated lease arrangement on 1/3/11 for 3 years, due to expire 28/2/14.

From 1/3/11 to 31/3/11 Jane's car travels 2,200 kms
From 1/4/11 to 31/3/12 Jane's car travels 27,000 kms
From 1/4/12 to 31/3/13 Jane's car travels 10,000 kms
From 1/4/13 to 28/2/14 Jane's car travels 19,000 kms

For the FBT year from 1/3/11 to 31/3/11, the car has travelled 2,200 kms over 31 days. Therefore, annualised kilometres driven would be 2,200 x 365 / 31 = 25,903 kms. So the FBT statutory rate that will apply for the 2010/2011 FBT year will be 11%.

For the FBT year ending 31/3/12, kms were 27,000 so a statutory rate of 11% is applied. For the FBT year ending 31/3/13, kms were 10,000 so a statutory rate of 26% is applied.

For the FBT year from 1/4/13 to 28/2/14, the car has travelled 19,000 kms over 334 days. Therefore, annualised kilometres driven would be 19,000 x 365 / 334 = 20,763 kms. So the FBT statutory rate that will apply for 2013/2014 FBT year will be 20%.

Example 2

Lease Commences before 10 May 2011 – Subject to old FBT Statutory Rates, but lease is extended for an additional term when lease is due to expire.

Blake commenced his novated lease arrangement on 15/9/09, due to expire 14/9/11.

From 1/4/11 to 31/3/12 Blake's car travels 32,000 kms
From 1/4/12 to 14/9/12 Blake's car travels 14,000 kms

In August 2011, Blake refinanced the car for another year and documents were put in place to extend the lease by 12 months, so the new lease end date has changed to 14/9/12. This lease extension is considered by the ATO to be a new lease arrangement and Blake will now fall under the new arrangements for valuing car fringe benefits (from the beginning of the next FBT year following the date he signed/extended his lease - 1/4/12).

For the FBT year ending 31/3/12, kms were 32,000 so a statutory rate of 11% is applied.

For the FBT year from 1/4/12 to 14/9/12, the vehicle has travelled 14,000 kms over 167 days. Therefore, annualised kilometres driven would be 14,000 kms × 365 / 167 = 30,598 kms. So the FBT statutory rate that will apply for 2012/2013 FBT year will be 17%.

Example 3

Lease Commences after 10 May 2011 – Subject to New FBT Transitional arrangements.

James commenced his novated lease arrangement on 1/7/12 for 3 years, due to expire 30/6/15.

From 1/7/12 to 31/3/13 James' car travels 35,000 kms
From 1/4/13 to 31/3/14 James' car travels 42,000 kms
From 1/4/14 to 31/3/15 James' car travels 41,000 kms
From 1/4/15 to 30/6/15 James' car travels 10,500 kms.

For the FBT year from 1/7/12 to 31/3/13, the car has travelled 35,000 kms over 274 days. Therefore, annualised kilometres driven would be 35,000 × 365 / 274 = 46,624 kms. So the statutory rate that will apply for 2012/2013 FBT year will be 13%.

For the FBT year ending 31/3/14, kms were 42,000 so a statutory rate of 17% is applied. For the FBT year ending 31/3/15, kms were 41,000 so a statutory rate of 20% is applied.

For the FBT year from 1/04/15 to 30/6/15, the car has travelled 10,500 kms over 91 days. Therefore, annualised kilometres would be 10,500 × 365 / 91 = 42,115 kms. So the FBT statutory rate that will apply for the 2015/2016 FBT year will be 20%.

How the FBT liability is calculated

EXAMPLE:
On 1 October 2014 a driver enters into a novated lease on a vehicle that has an FBT base value of $30,000. The vehicle travels 15,143 kms by 31/03/15 (the end of the FBT year). During this time the car was not available for private use for 10 days.

STATUTORY RATE
15,143 x 365 days = 30,369km per annum = 20% Statutory Rate for the 182 days during the FBT period.

CAR FBT LIABILITY
FBT Base value $30,000 x Statutory Rate 20% x FBT Gross-up Factor 2.0802 / 365 x (182 days – 10 Days Unavailable)
X FBT tax Rate 0.47 = $2,764.33

Please note: The Car FBT gross-up rate is calculated at the pre-GST FBT rate of 1.8692 if your employer is unable to claim an Input Tax Credit.

4.7 FBT Liability

In order for your employer to report your Car FBT liability, you must submit an annual FBT declaration via www.leaseplan.com.au at the end of the FBT year (31 March). You are required to record your final odometer reading as at 31 March together with any exempt days (days where the vehicle was not available for use). Your employer will then reconcile your FBT balance with you via your payroll.

FBT liability can be reduced or eliminated if you elect to use the Employee Contribution Method (ECM) when salary packaging your vehicle. For more details please refer to Section 3 of this guide.

Statutory Method is normally used with novated leases, however, in some special circumstances where there is a high degree of business use the Operating Cost Method may prove more effective. To use this method for FBT calculation you will need to keep a logbook for a continuous period of 12 weeks (minimum) to determine an accurate Business Use percentage.

To obtain a novated lease quote using the Operating Cost Method you will need to submit your request by calling LeasePlan on 132 572 or email cservice@leaseplan.com.au.

With your request you will need to supply:

1. The Private Use percentage
(i.e. 100 – the Business Use percentage)

2. The Logbook Date – being the date of your last entry in your logbook. If you do not have a logbook you can supply an estimate and then provide your actual logbook details at a later time (i.e. within three months of the delivery of your vehicles or before then end of the FBT year).

PLEASE NOTE: ECM can also be applied using the Operating Cost Method.

4.8 Luxury Taxation Limit

A lease is classified as a luxury lease when the amount financed under the lease is greater than the luxury taxation limit. This amount is currently $61,884

4.9 Cash Claim – Minimum Amount Claimable

There is a minimum amount of $55 claimable. Costs below this figure are borne by you.

4.10 The Employee Contribution Method

The table below shows a simple comparison of the impact that ECM can have on a lease.

- Vehicle purchase price - $36,360
- Taxable Income - $40,000 pa
- Distance per year - 15,000 km
- Lease period - 36 Months
- FBT Statutory Rate - 20 %

Packaging 100% pre-tax		Packaging using ECM	
	Annual cost		Annual Cost
Lease Costs	$8,544	Lease Costs	$8,544
Vehicle Operating Cost	$5,648	Vehicle Operating Cost	$5,648
Total Vehicle Costs	$14,192	Total Vehicle Cost	$14,193
FBT Liability	$7,110	FBT Liability	$7,110
		ECM FBT Offset	-$7,110
		GST On Post-tax	$661
Total Package Cost	$21,302	Total Package C	$14,854
Split		Split	
Pre- tax	$21,302	Pre- tax	$7,581
Post-tax	$0	Post-tax	$7,272
Benefit	-$1,969	Benefit	$2,109

In this example by using ECM benefit of $2,109 compared with a previous disadvantage of $1,969 when packaging pre-tax is realised.

LeasePlan Online allows you to enter your personal salary and provides details of any benefits to you utilising ECM.

Employee Salary =$40,000 per annum

Annual Km's	Package Cost Per Year	Deduction		Annual Disposable Income Benefit	
		Pre Tax	Post Tax	1 July 2011 100% Pre Tax	1 July 2011 ECM
10,000	$13,963	$4,509	$9,454	-$4,007	$1,071
15,000	$14,854	$7,581	$7,272	-$1,969	$2,109
20,000	$15,843	$8,571	$7,272	-$1,707	$2,371
25,000	$16,535	$12,536	$4,000	$1,172	$3,422
30,000	$17,725	$13,725	$4,000	$1,494	$3,737
40,001	$19,772	$17,226	$2,545	$3,237	$4,665